

Kentucky Tobacco Settlement Trust Corporation

Meeting Minutes

March 5, 2002

The Kentucky Tobacco Settlement Trust Corporation met on Tuesday, March 5, 2002 at 11:00 am in Room 110 of the Capitol Building, Frankfort, Governor Paul E. Patton, Chairman, called the meeting to order and the secretary called the roll.

Members Present:

Governor Paul E. Patton, Chairman; Tommy Bale, Gary Cecil, Debbie Draper, Paul Hornback, Jim Lacy, Commissioner Billy Ray Smith, Henry West and John-Mark Hack, President with Wilson Stone serving as designee for Tommy Bale.

Members Absent:

General A.B. Chandler, Marshall Coyle, Joe Clark

Legislative Guests:

Senator Vernie McGaha; Representative Roger Thomas

Other guests:

Sharon Burton, The Farmer's Pride; Chris Gilligan, WLKY 32 Louisville; Brad Wellons, Legislative Research Commission; Jeff Hall and Stanley Todd, USDA/FSA; Will Snell, Daniel Green and Pat Hardesty, University of Kentucky; Gordon Duke, Jeff Mosley, Jeff Harper and Lisa Thomas, Governor's Office of Agricultural Policy; Angie Woodward, Center for Rural Development; Michael Plumley, OAG; Krista Hankins, The Courier Journal; Brian Furnish, Burley Tobacco Growers Cooperative; Alice Baesler, Kentucky Department of Agriculture; Mark Jenkins, David Jenkins Farms; Bruce Cline, Phillip Garnett, James Barton, Brent Cox, David Wimpy, Hoppy Henton, Roy Jenkins, David Draper, David Chappell, Todd Clark and Dan Ison.

Minutes of the May 29, 2001 Meeting:

The Minutes of the May 29, 2001 meeting were approved.

The Governor opened the meeting by welcoming new board member, Mr. Paul Hornback of Shelby County; tobacco grower, state Farm Bureau Board Member, former president of Council for Burley Tobacco and Senator Vernie McGaha.

John-Mark Hack, President of the Kentucky Tobacco Settlement Trust Corporation reviewed the calculation methods, 2001 Phase II Distribution Totals, Payee Profiles, Application and Call Center statistics.

Representative Roger Thomas opened a brief discussion of the administrative expenses. Kentucky's current system resulted in less than one percent of Phase II funds being spent on administration.

Governor Patton expressed his belief that the three-year system used by Kentucky is the best way to fairly compensate eligible Kentuckians.

Jim Lacy asked if it should be considered to delete years 1998 and 1999 from the formula since those years were adversely affected by weather conditions such as the drought of 1999 and could perhaps skew the results. Governor Patton responded that there would never be a perfect growing year and that the three-year average allowed the best opportunity for fairness.

Henry West asked to consider moving the quota owner portion forward. Use the three-year average, but roll it forward. A brief discussion followed explaining that the Tobacco Companies intent was to compensate growers hurt by the reduced quotas and the current system was the best system for accomplishing that goal.

Debbie Draper offered her experience, understanding and support for the current system.

Commissioner Smith asked for a clarification that payments made in 2002 would be based on the 2001 quota. Confirmed.

At this time Debbie Draper made a motion to continue the current plan for distributing proceeds. Governor Patton seconded. The motion passed with a roll call vote of 7 – 2.

Approved Compensation Plan:

The Kentucky Tobacco Settlement Trust Corporation hereby resolves that the plan for distributing proceeds from the National Tobacco Growers Settlement Trust be comprised of the following guidelines:

Compensation for Quota Owners be made to owners of quota identified by the USDA Farm Service Agency as of July 1, 2001 and/or the final lease and transfer date;

Compensation for Growing Farms and Grower/Tenants be based on a weighted average of payment pounds (average of effective quota and marketings) from crop years 1998, 1999, and 2000;

An additional application period would be conducted in 2002 to certify basic quota recipients for crop year 2001. The results of this application period would be averaged with crop year records from 1998, 1999, 2000 and payments would be made to all recipients on the 1998, 1999 and/or 2000 databases who meet the conditions described below;

Compensation be limited to those individuals who maintain a vested interest in tobacco production, in 1998 and/or 1999 and or 2000 as described in previous compensation plans. Compensation from the trust would be made only for the years in which an applicant had a vested interest in tobacco production, as described under previous compensation plans.

Following the vote, a brief discussion of the Opinion of the Office of the Attorney General regarding House Bill 677 ("HB677"). The possible effects of the excise tax on Phase II payments was examined and determined to be inconclusive until such time as the outcome of HB677 is known.

Henry West inquired about situations such as the death of a grower or identified grower who cannot be contacted. A brief discussion followed explaining the methods for resolving such cases and that there would be a distribution in March and/or April to cover "late" applications and the process would close after April. Commissioner Smith pointed out that there was an Appeal process in place and Mr. Hack finished the discussion explaining how funds would be moved forward.

Being no further business, the meeting adjourned at 11:40 am.